



# Company Overview

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## Market Statistics

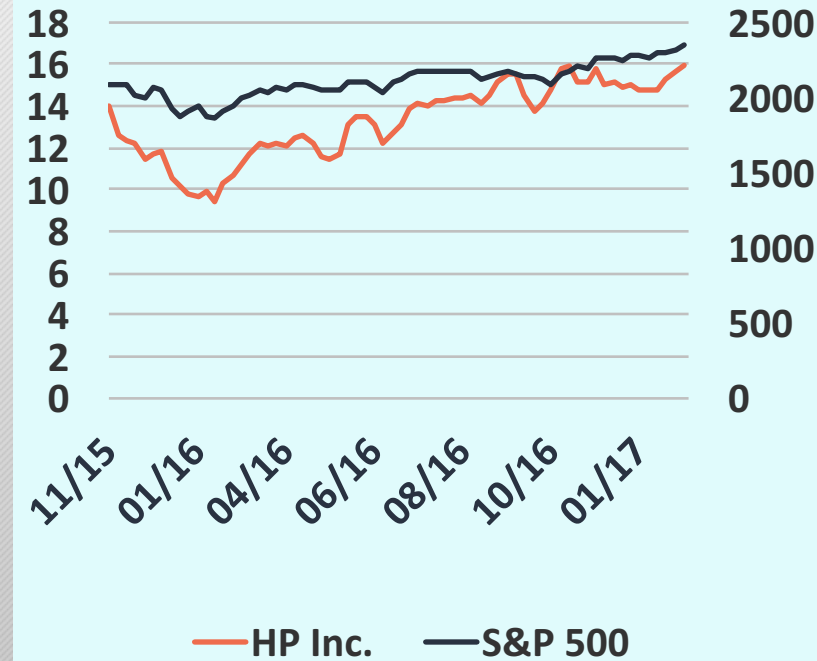
52 Week Range	\$10.38 - \$17.81
Avg Daily Vol (3 Mo)	12,524,223
Market Value (M)	30,050
Ent Value (M)	30,598
Shares Out (M)	1,705
Dividend Yield	3.0%
Indicated Annual Dividend	0.53
Float	99.9%
Institutional	81.3%
Top 10 Inst Holders	36.8%

## TICKER - NYSE: HPQ

Main Features:

- 48.25 Billion Dollars in Revenue
- Market Leader in Printing Industry
- Second Largest Market Share in PC Industry

S&P 500 & HP Inc. Prices



Company Overview

Competitive Position

Financial Analysis

Valuation

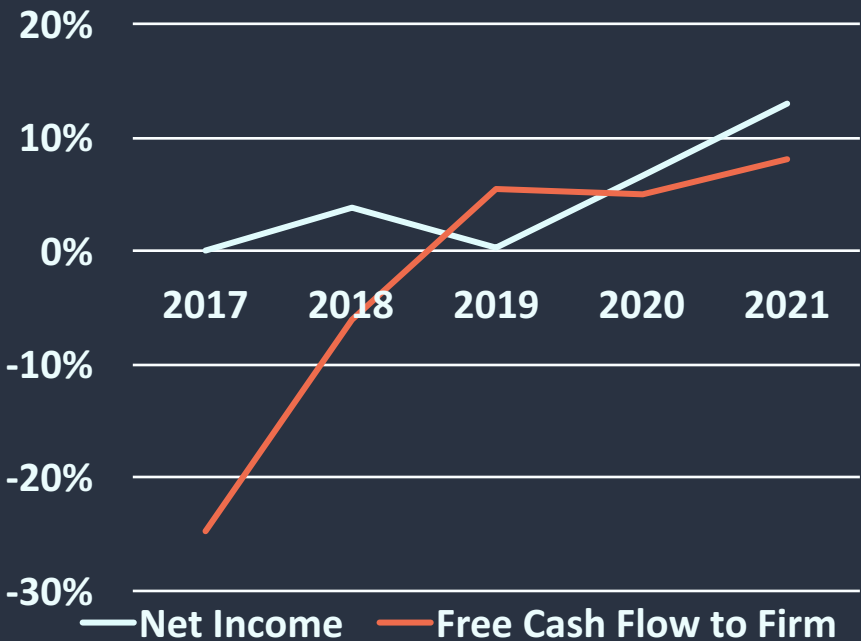
Investment Risk

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# Recommendation

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Growth Rates of Net Income and FCFF



Recommendation

**HOLD**

Target Price: \$17.78

Key Drivers:

- Improved Operational Efficiency
- Lower Overhead Costs due to Restructuring
- Poised to take Market Leader Position in the 3D Printing Industry

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# Business Description

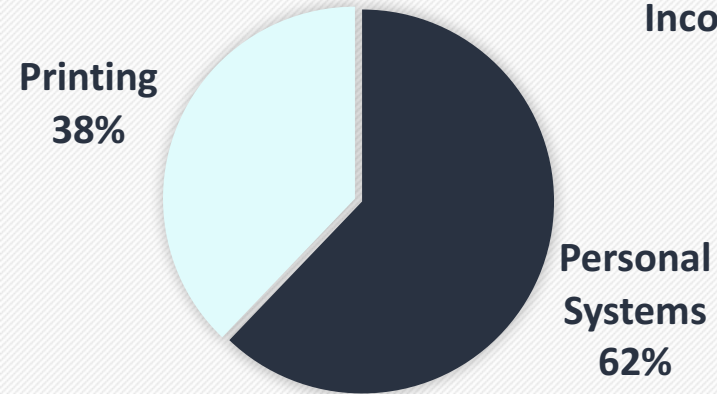
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1939  
Establishment of Hewlett-Packard

1957  
IPO on NYSE

1947  
Incorporation of Hewlett-Packard

2015  
Restructuring to create HP Inc. and HP Enterprise



- Global Headquarters in Palo Alto, CA
- 62% of Revenue comes from the PC Sector
- 38% of Revenue comes from the Print Sector

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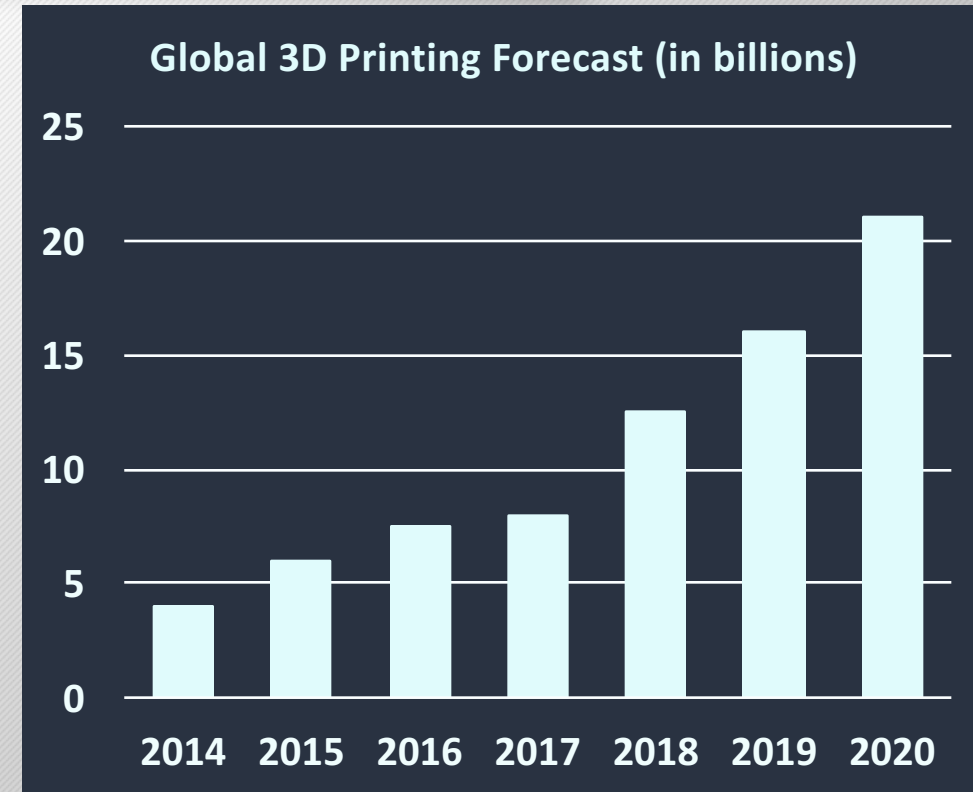
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# Future Prospects

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- Collaboration in Virtual Reality with Oculus Rift and HTC
- Potential Boom of 3D Printing
- Sprout all-in-one



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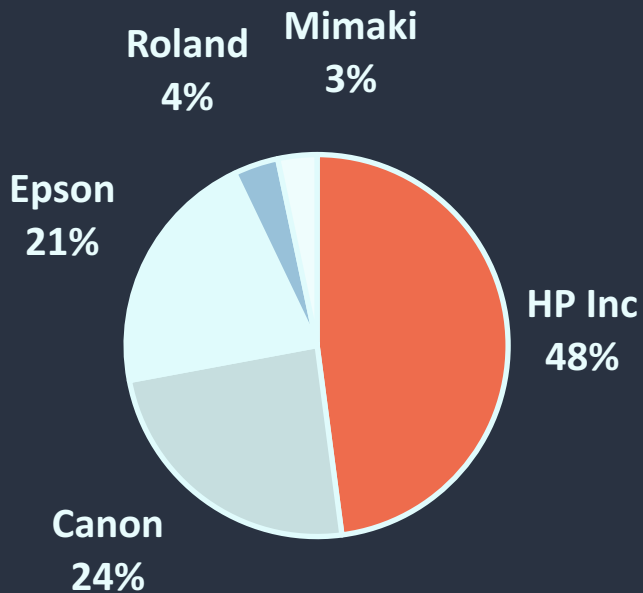


Competitive Position

# Industry Overview

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## Printer Market Share



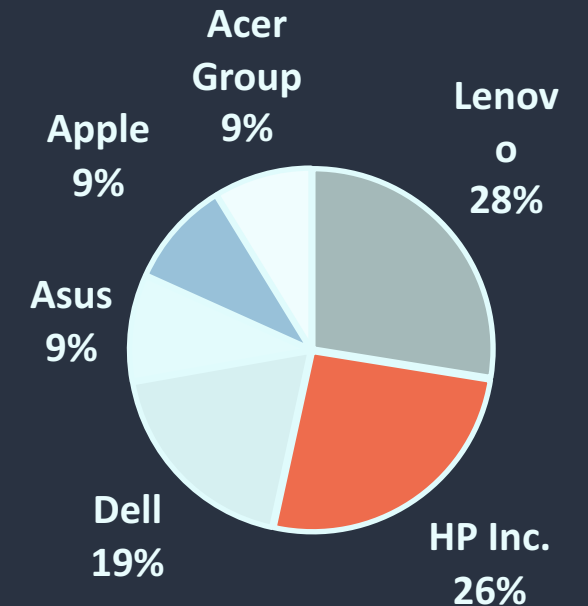
## Personal Systems

- Five Year Contraction in PC Market
- PC Shipments Down 5.7 % in 2016 Market Wide
- Saturated Market with Strong Price Discrimination

## Print

- Print Revenue Decreased by 7% YOY in 2016
- Trend Towards Digital Documents
- 3D Printing a Growth Prospect

## PC Market Share



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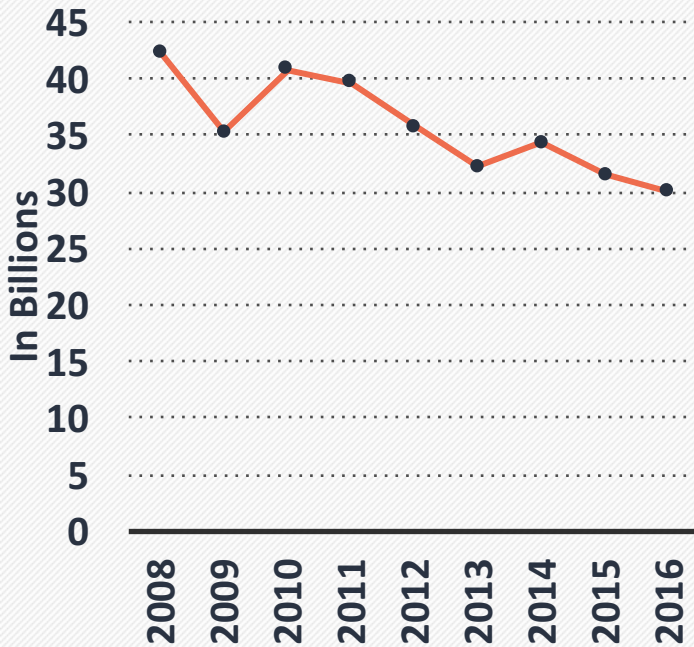
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# Competitive Positioning

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### Personal Systems Net Revenue



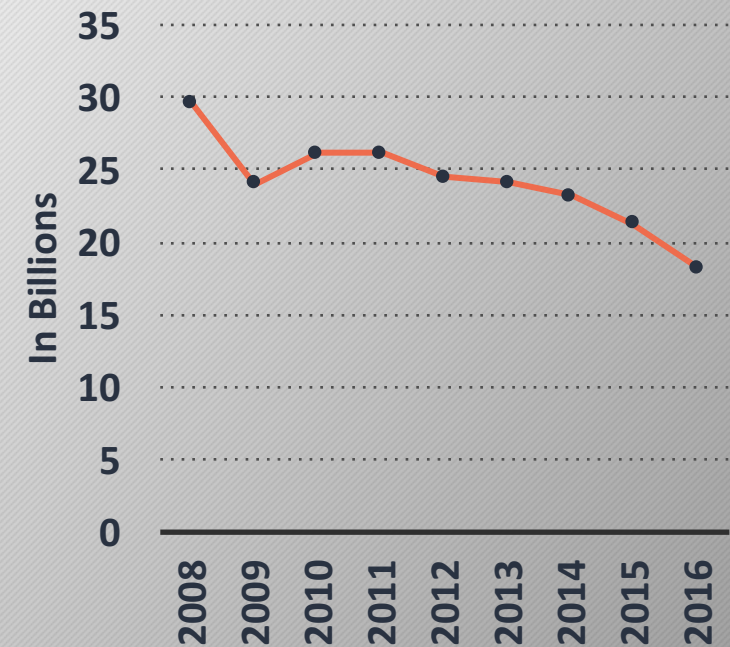
### Personal Systems

- Converging upon Lenovo for Position as Market Leader
- Marketing to Attractive Customer Segments
- Cross-selling a Broad Portfolio of Offerings
- Immersive Computing

### Print

- Government and Educational Contracts
- Shifting Behavior from Transactional to Contractual
- Graphics Solutions Services which Focus on Digital Print

### Printing Net Revenue



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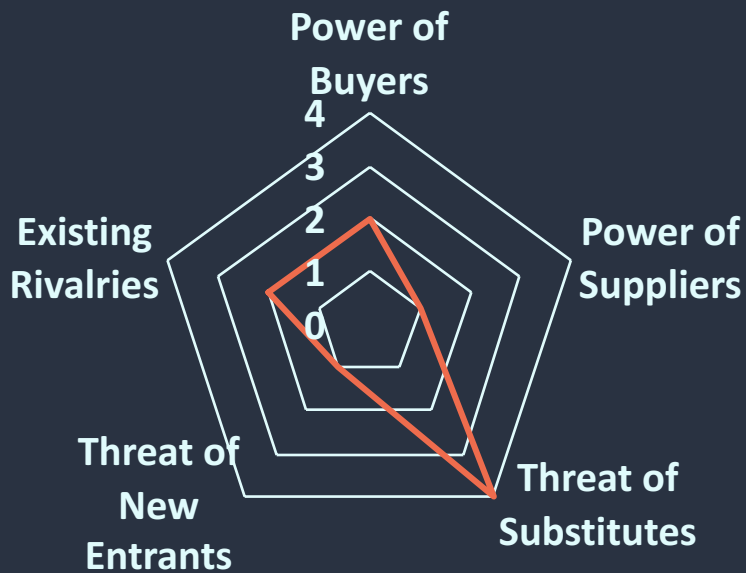
Investment Risk

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# 5 Forces

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## Future Outlook as a Whole:

**Power of Buyers:** No Single Buyer Responsible for more than 10% of Sales

**Power of Suppliers:** Canon Produces Components of HP Inc. Printers

**Threat of Substitutes:** Low Product Differentiation and Price Competition

**Threat of New Entrants:** HP Inc. has Formidable Market Power

**Existing Rivalry:** Within PC Segment Lenovo has Similar Sales Numbers

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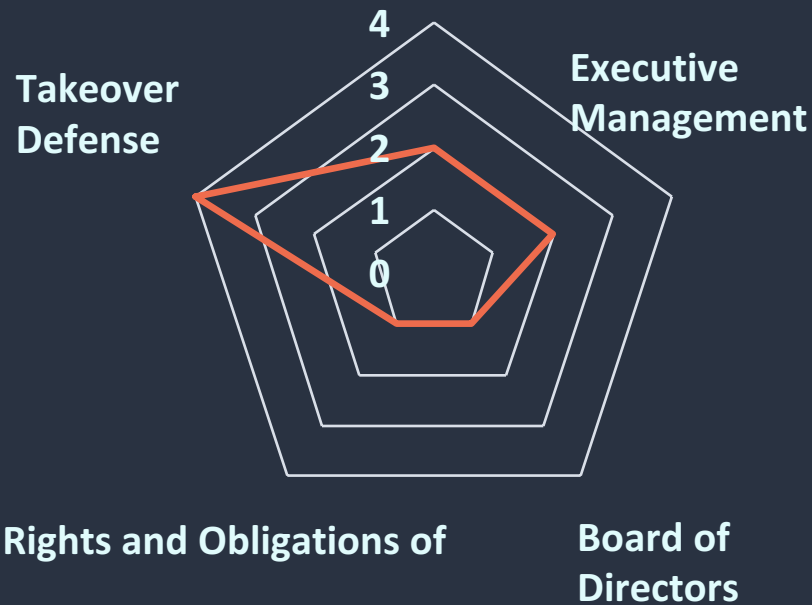
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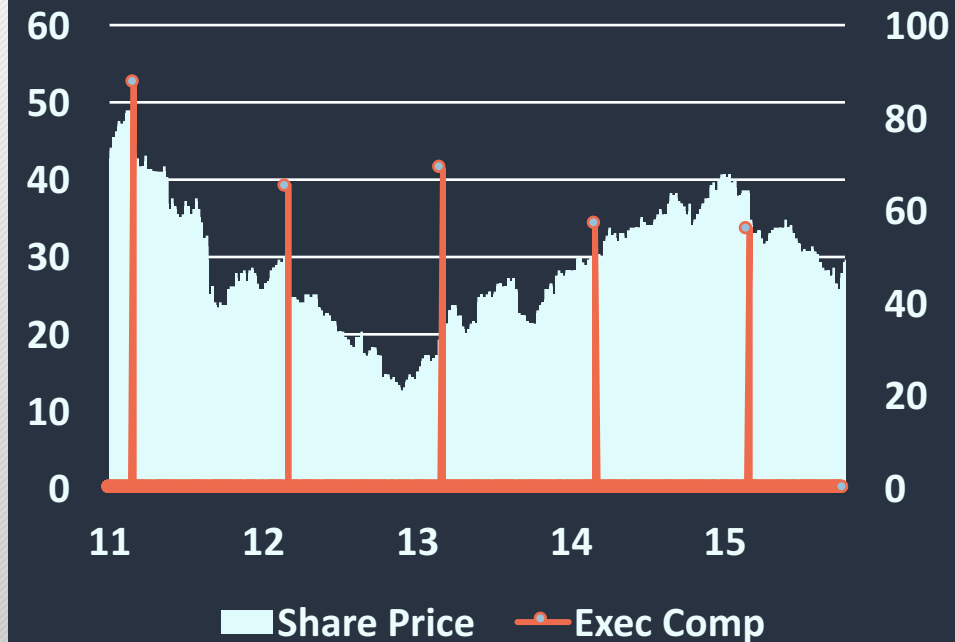
# Corporate Governance

### Shareholder Threat Rating



- Executive Compensation tied to Performance
- Successfully Executed Largest Corporate Separation in History
- Management has been able to Improve Cost Structures
- Leadership has Articulated and Advanced HP Inc.'s Strategy to Exploit New Income Streams.

### Share Price and Executive Compensation



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# Financial Analysis

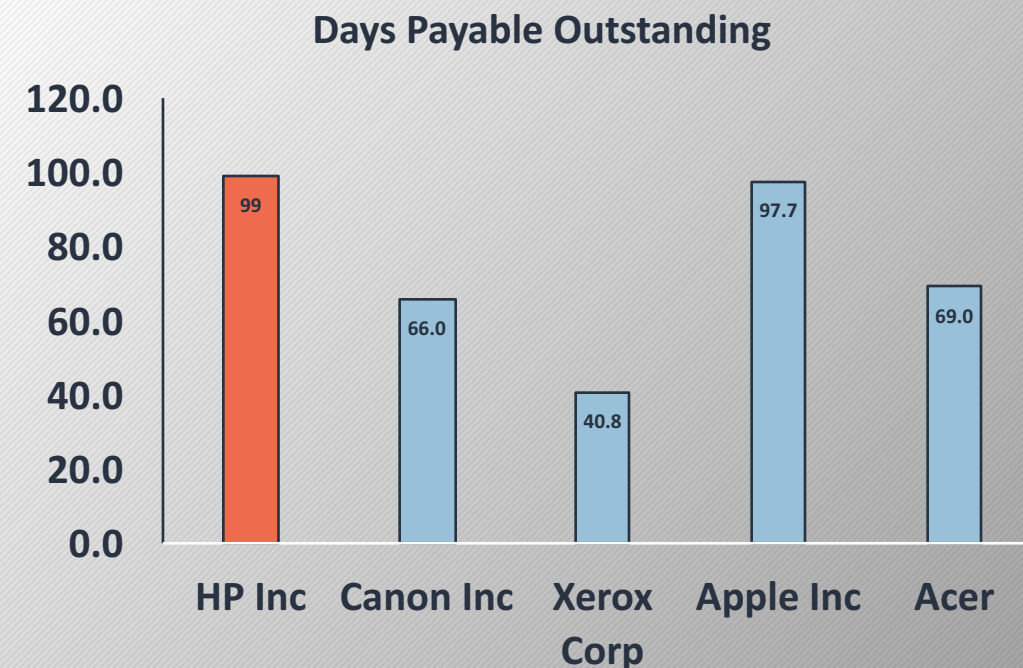


# Strong Liquidity and Efficiency

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- Ability to Offer Products to Consumers at Favorable Credit
- Highest Days Payable Outstanding in the Industry

Operating Cycle (Days)	2016	2017E	2018E	2019E	2020E	2021E
Days Inventory on Hand	41	43	44	44	45	45
+ Days Sale Outstanding	34	32	33	33	33	33
= Operating Cycle	75	75	77	77	78	78
- Days of Payables Outstanding	99	105	105	104	104	105
<b>Net Operating Cycle</b>	<b>-25</b>	<b>-30</b>	<b>-28</b>	<b>-26</b>	<b>-26</b>	<b>-27</b>



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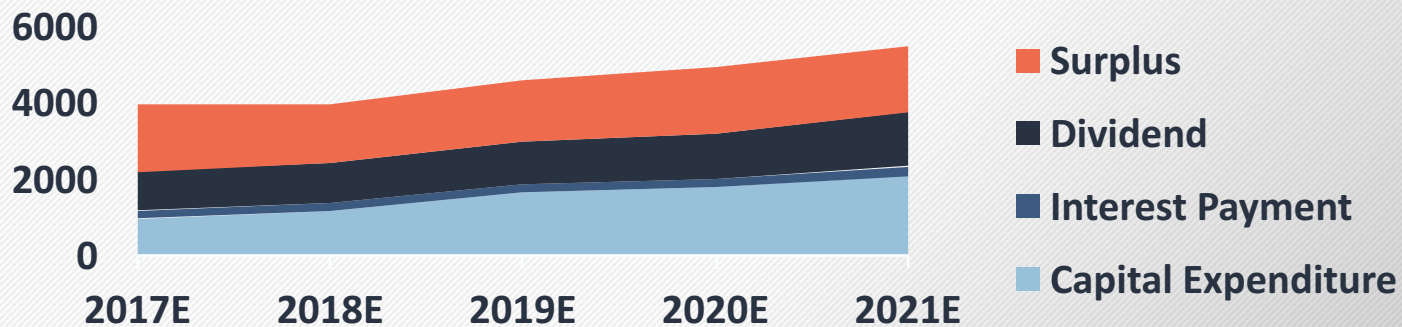
Conclusion

# Capacity for Further Expansion

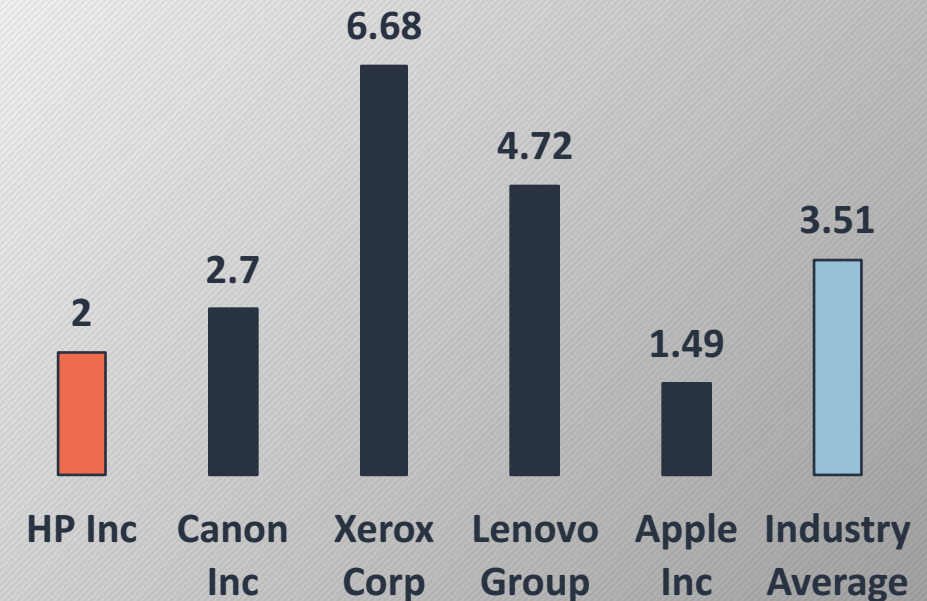
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- Cash From Operations Sufficient to Cover Dividend, Interest and Capital Expenditure
- Potential to Issue More Debt to Fund Investment Opportunities

Cash From Operations Utilization



Debt/EBIT Ratio



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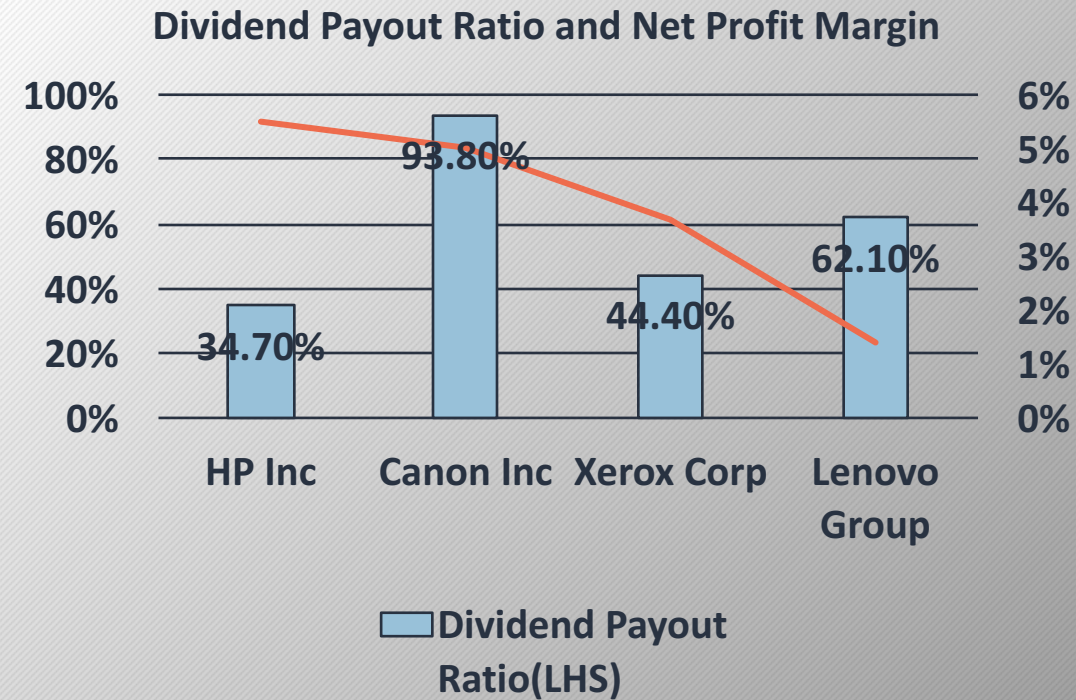
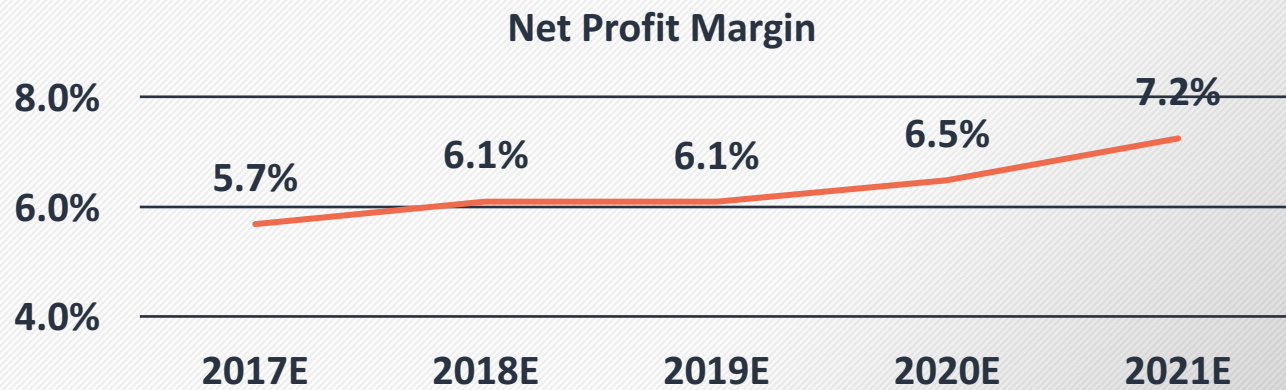
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# Growing Profit Margins and Stable Dividend

- Low Dividend Payout Ratio, Indicating Growth-orientation and Potential for Higher Dividends
- Net Profit Margin Higher than Peers and Expected to Increase in the Future





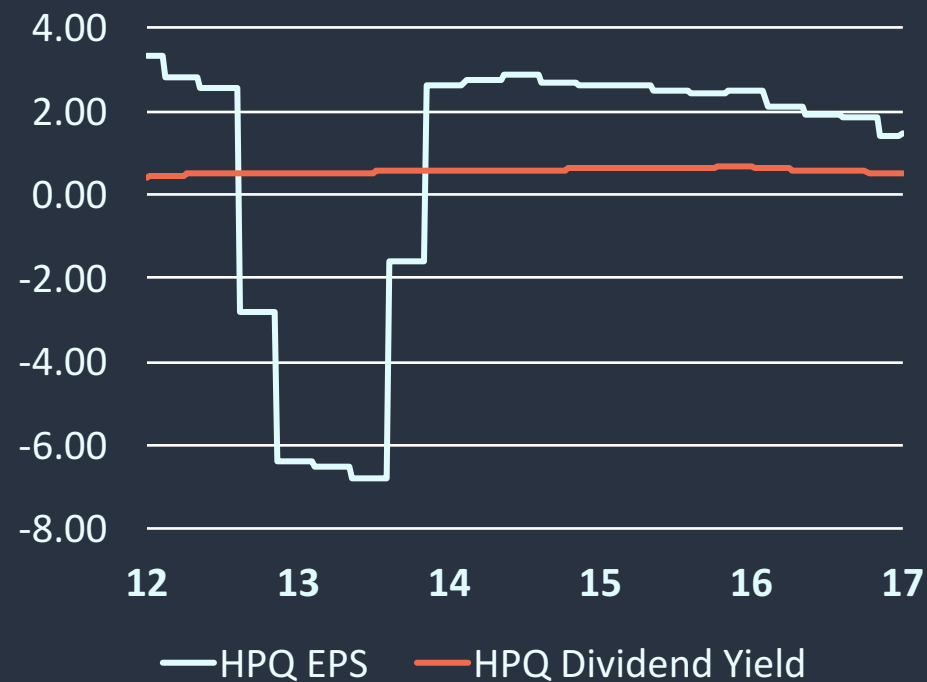


Valuation

# Free Cash Flow to the Firm

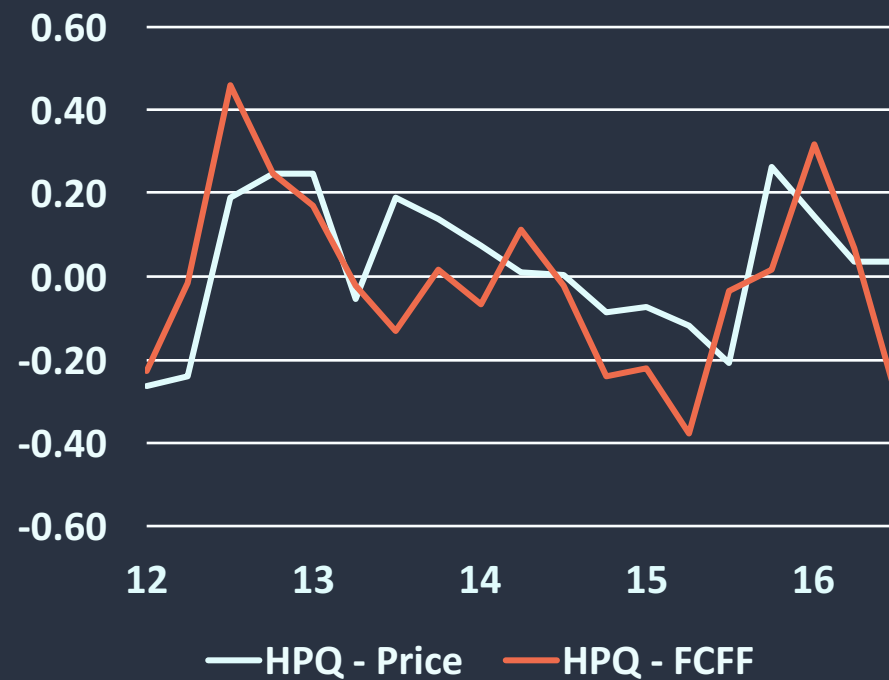
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### HPQ Earning Per Share and Dividend Yield



- HP's Competitors are Unique
- Little to no Pure Play
- Dividends Independent of Earnings
- FCFF Matches well to Historic Firm Valuation

### Percentage Change of Price and FCFF



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# Model Assumptions

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- 5 Year FCFF Valuation Model with a Terminal Value after 2021
- WACC of 9.125%
- Return to Positive Growth Rates in 2020 for Printing Segment
- No Substantial Increases in Tax Rate
- Cost Improvement of 1.75%
- No Major Deviations in Shares Outstanding or Capital Structure

Projected 5 Year DCF Valuation			
Year	FCFF	Discounted FCFF	Growth
1	\$2,772	\$2,539	-16.6%
2	\$2,696	\$2,263	-2.7%
3	\$2,828	\$2,174	4.9%
4	\$2,891	\$2,036	2.2%
5	\$3,141	\$2,026	8.7%
Terminal	\$41,606	\$26,841	1.5%
Value of Firm		\$37,879	
Value of Debt		\$6,758	
Value of Equity		\$31,121	
Shares		1750	
Per share		\$17.78	

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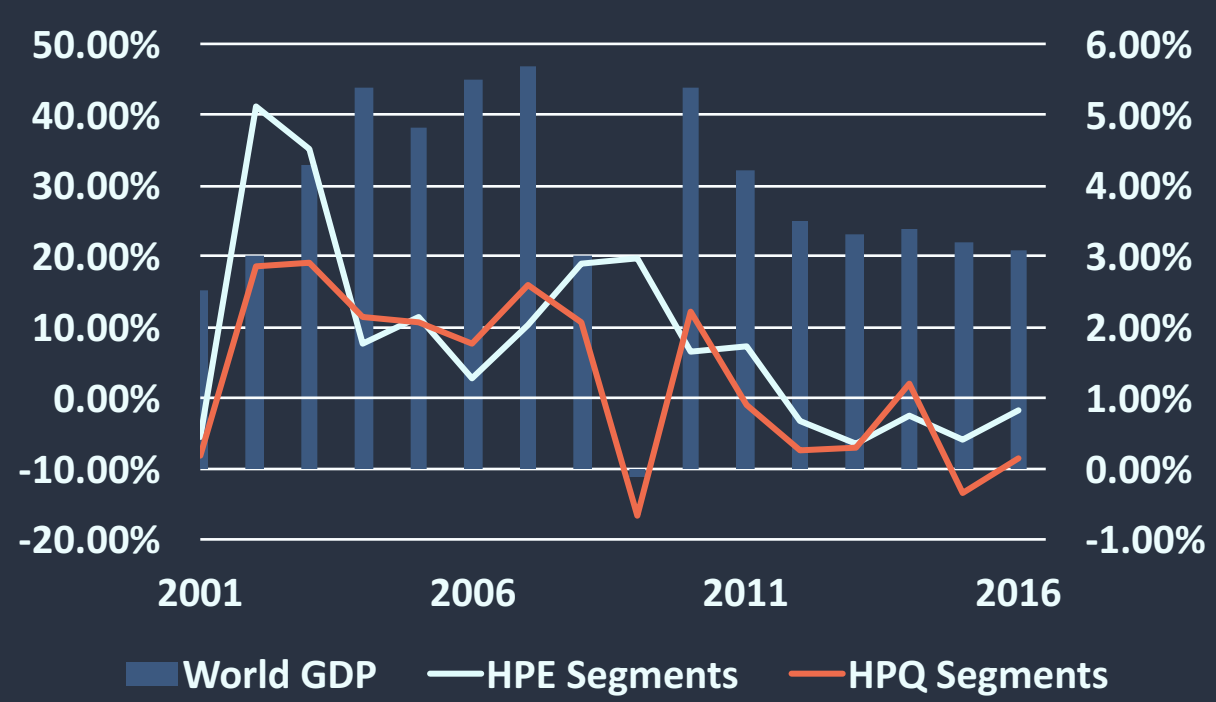
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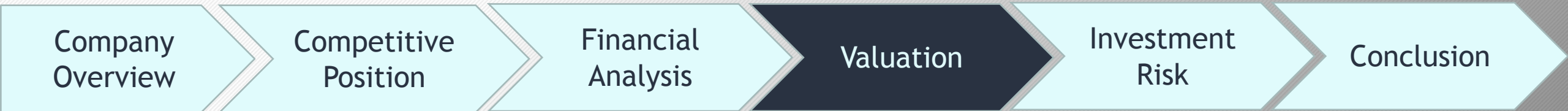


# Weighted Average Cost of Capital

Segment HPE/HPQ Earnings to GDP



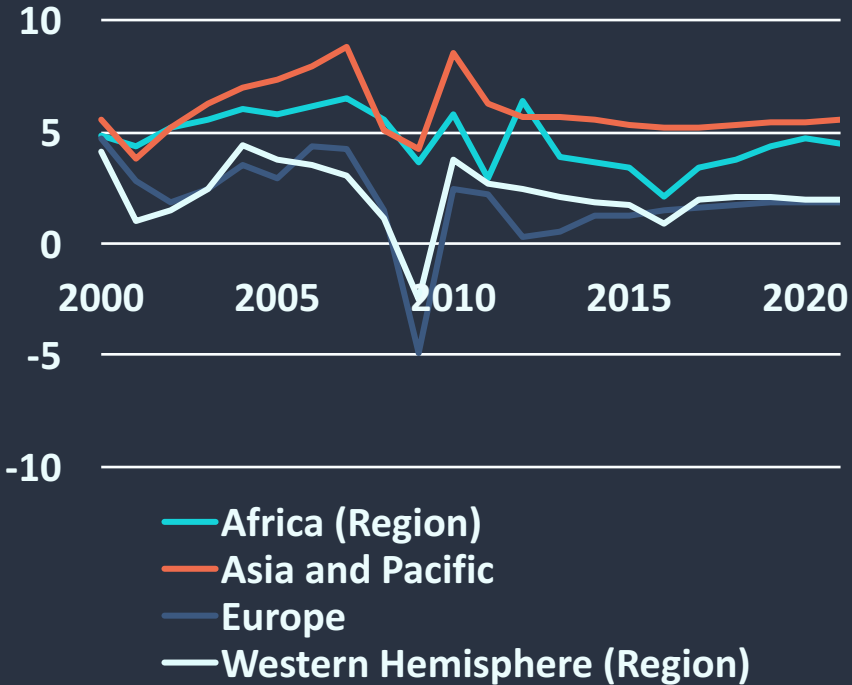
- Indicated Annual Dividend is 53 Cents
- Dividend Yield Approximately 3.0% at Target Price
- Current Weighted YTM of Long Term Debt is 2.8%
- Highest Observed YTM is 3.1%, Maturing 2021
- 10 Year U.S. Treasuries Yield 2.5%
- S&P 500 Average Return of 8.16%
- Beta of 1.43



# Growth

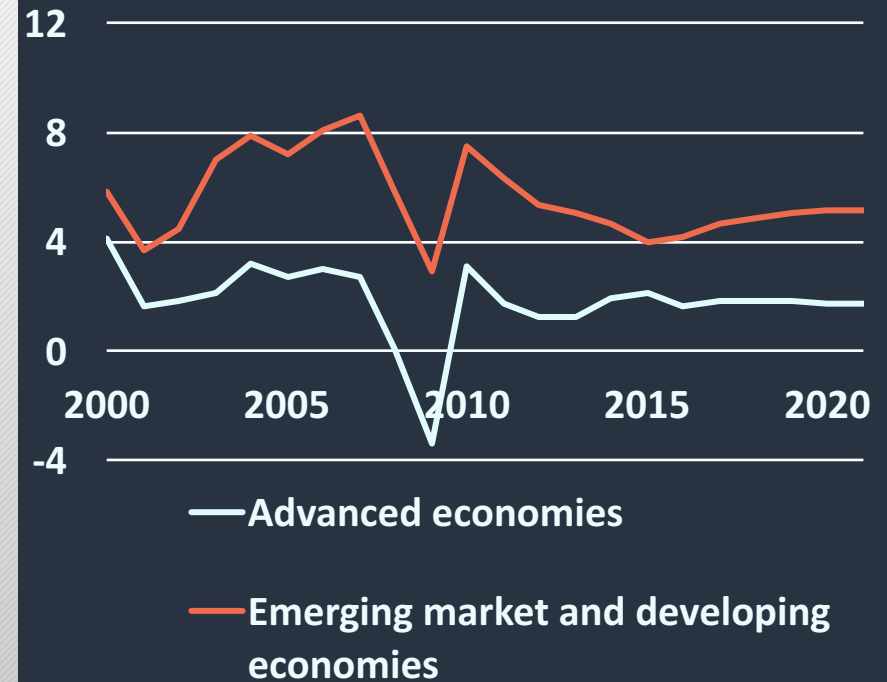
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### Growth Forecasts by Region



- Short Term Growth Rates Assumed to Remain Negative for Print
- Expected Return to Growth in 2020 for Print
- Terminal Growth Rate at 1.5%

### Growth Forecasts by Analytical Group



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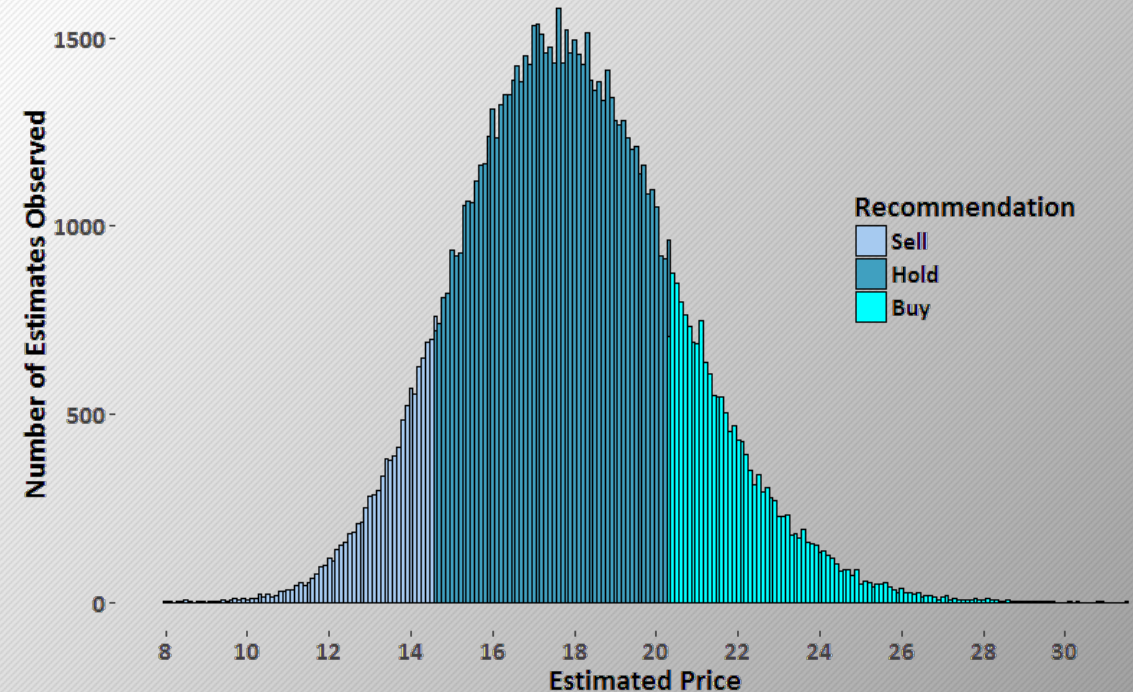
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# Implied Intrinsic Value

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- Base Case \$17.78
- Bear Case \$16.62
- Bull Case \$18.95
  
- Sensitive to WACC, +2% Share Price \$12.08
- Continued Decline, and Zero Terminal Growth \$13.25
- No Cost Efficiency, \$13.00

Monte Carlo Simulation, 100000 iterations



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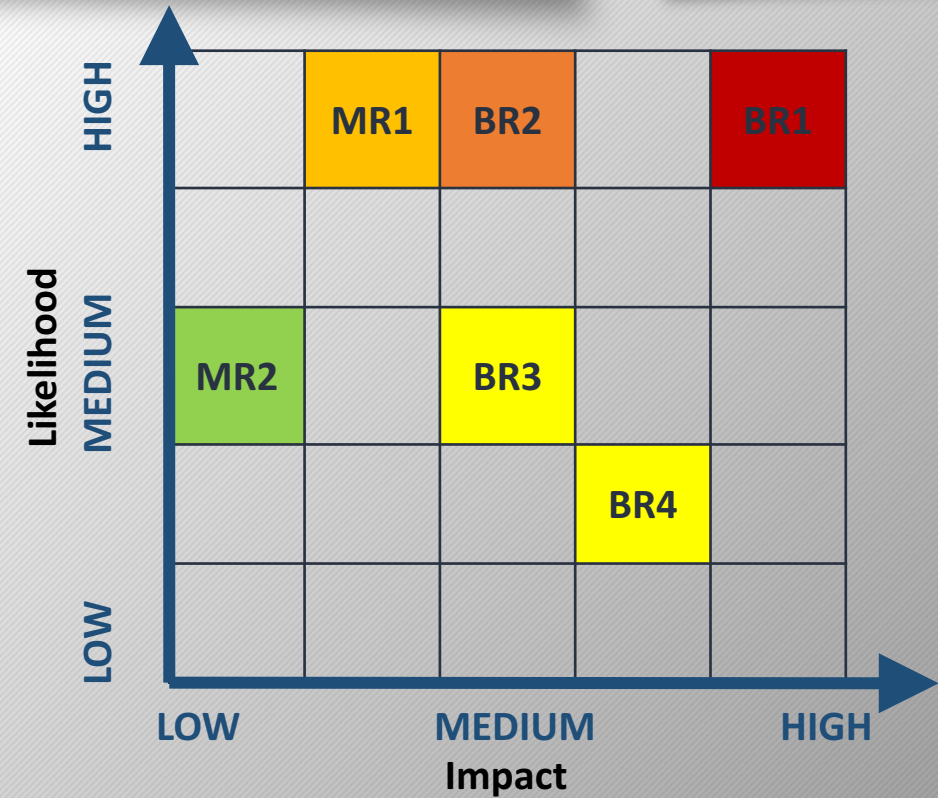


Investment Risk

# Risk Matrix

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- Continued slowdown in printing and personal computing sectors (BR1)
- Economic weakness and uncertainty in global markets (BR2)
- Failure to manage, complete, integrate acquisitions/significant transactions (BR3)
- Failure to properly manage third party suppliers (BR4)
- Fluctuations in foreign currency exchange rates (MR1)
- Interest Rate Risk (MR2)



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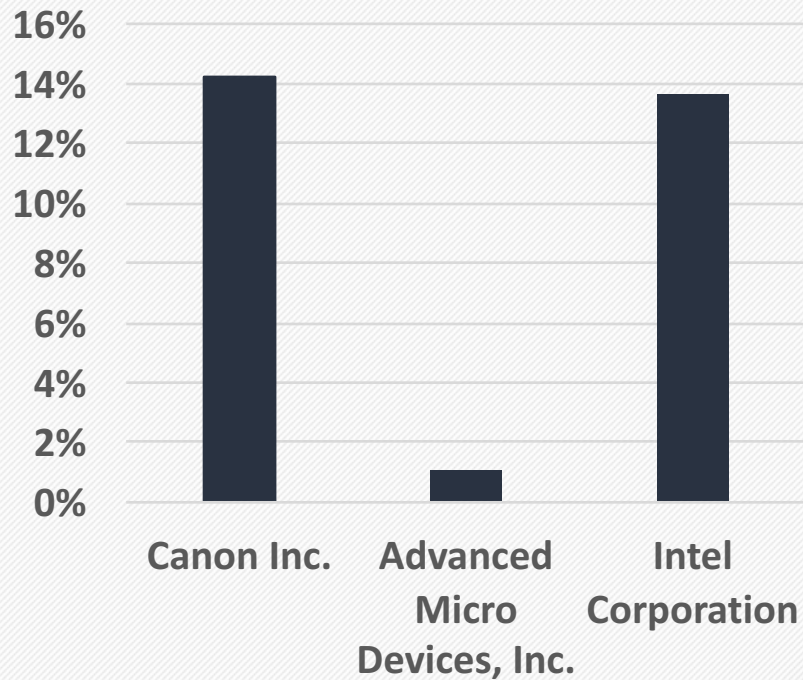
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# Sensitivity to Supply Chain Shocks

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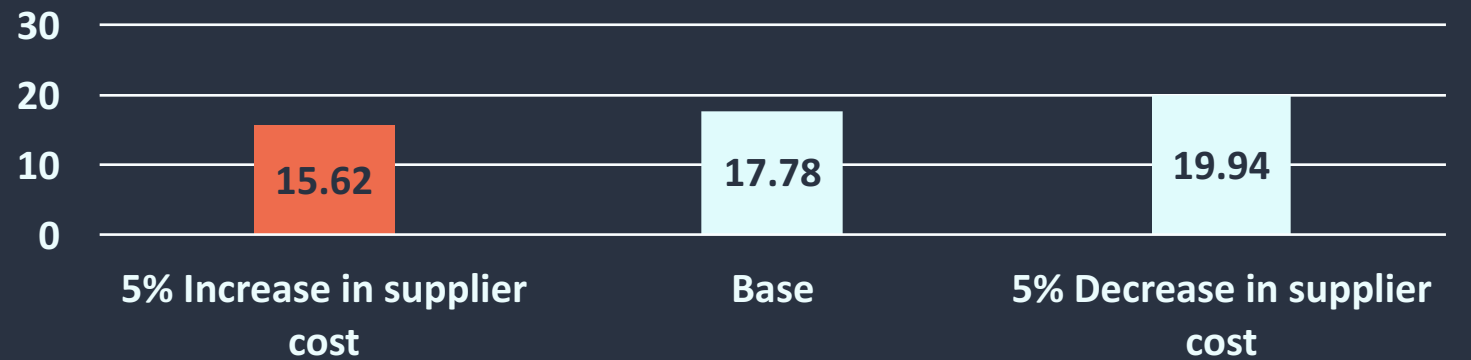
Percentage of COGS by Supplier



Approximately 30% of COGS attributable to 3 suppliers:

- Canon
- Intel
- AMD

Target Price: Scenario Analysis



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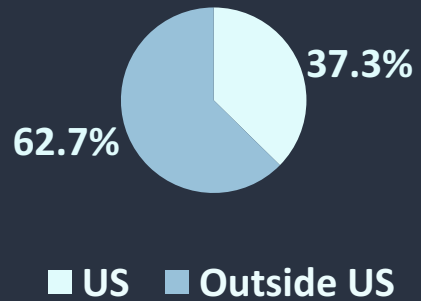
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# Sensitivity to Foreign Currency Exchange Rate

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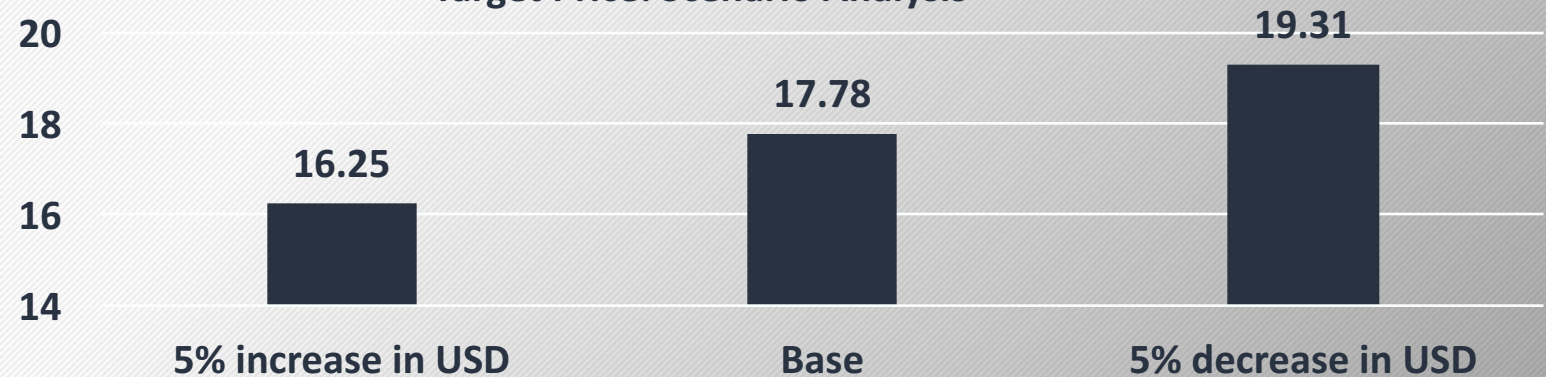
Percent of Revenue 2016



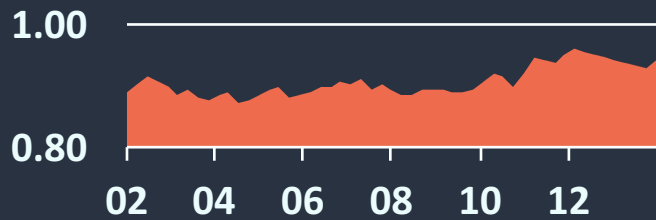
## Assumptions

- Currency Fluctuations are not Passed on to Consumers
- 80% of COGS from Outside US
- No Currency Hedging Instruments Used

Target Price: Scenario Analysis



2016 EUR:USD



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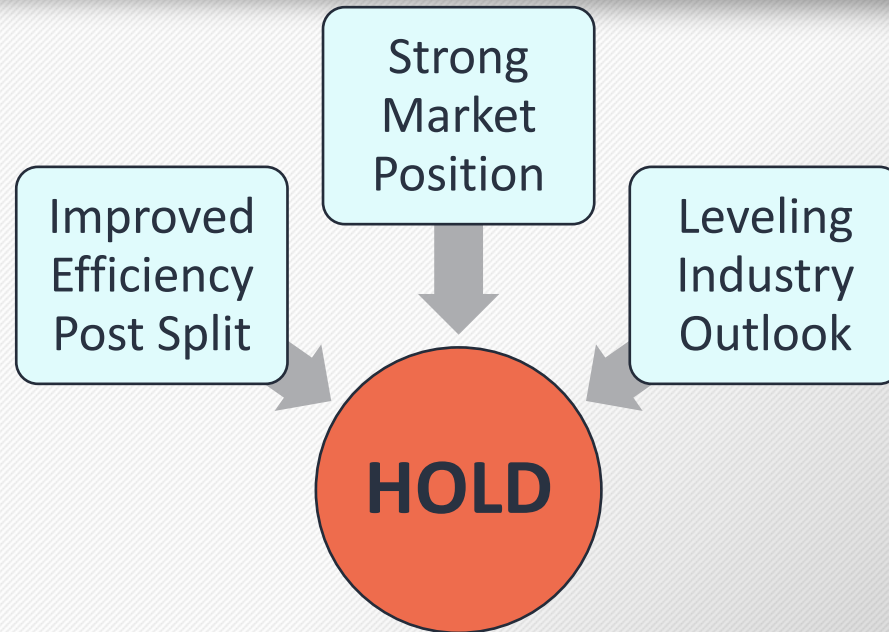
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# Conclusion

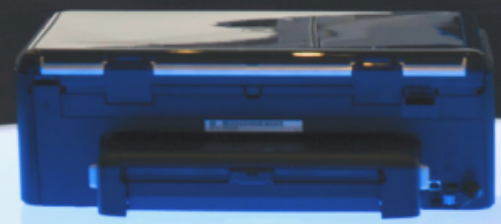
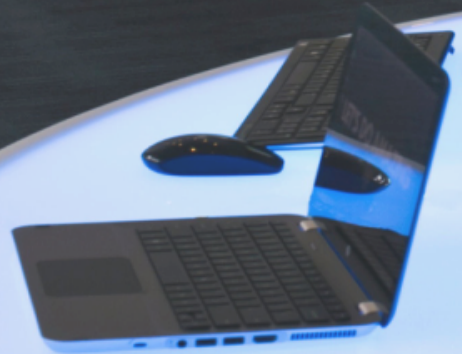
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Current Price	Target Price	HPR
\$17.62	\$17.78	4.125%









# Sources and Citations

I

Slide 1: Factset, HPQ 10K 2000 - 2016

Slide 3: HPQ 10K 2000 - 2016

Slide 4: IDC

Slide 5: Factset

Slide 6: Statista

Slide 8: Morningstar

Slide 9: Factset

Slide 10: Factset

Slide 11: Factset

Slide 12: Factset

Slide 14: HPQ 10K 2000 - 2016, IMF World Economic Outlook 2016

Slide 15: IMF World Economics Outlook 2016

Slide 18: Factset

Slide 19: HPQ 10K 2000 - 2016P Inc. 10-K; Factset

# Appendix - Ratios



	Valuation						Profitability						Per Share				
	HP Inc.	Lenovo	Apple	Canon	Epson		HP Inc.	Lenovo	Apple	Canon	Epson		HP Inc.	Lenovo	Apple	Canon	Epson
Price/Sales	0.53	0.16	2.84	1.06	0.85	Gross Margin	18.58	13.30	38.43	49.21	35.81	Sales per Share	28.32	30.06	40.82	3,114.7	2,898.1
Price/Earnings	10.31	11.02	13.80	23.89	23.08	SG&A to Sales	11.52	12.12	11.41	42.48	29.32	EBIT (Operating Income) per Share	2.00	0.47	11.03	--	188.1
Price/Cash Flow	6.31	5.38	9.43	--	8.26	Operating Margin	7.06	1.57	27.02	6.73	6.49	EPS (recurring)	--	0.50	8.38	137.9	104.5
Price/Free Cash Flow	7.02	8.72	11.65	--	18.11	Pretax Margin	7.60	1.52	28.04	7.19	6.72	EPS (diluted)	1.46	0.43	8.39	138.0	107.2
Dividend Yield (%)	3.35	5.64	1.93	4.55	2.42	Net Margin	5.39	1.43	20.79	4.43	3.70	Dividends per Share	0.50	0.27	2.23	150.0	60.0
Enterprise Value/EBIT	7.62	10.60	10.82	16.56	12.16	Free Cash Flow Margin	7.57	1.79	24.35	8.62	4.72	Dividend Payout Ratio (%)	34.57	62.13	26.58	108.74	55.96
Enterprise Value/EBITDA	6.94	5.02	9.17	7.91	7.35	Return on Assets	9.78	2.25	14.48	3.15	3.81	Book Value per Share	--	2.10	25.19	2,548.5	1,386.7
Enterprise Value/Sales	0.54	0.17	2.92	1.11	0.79	Return on Equity	--	20.67	34.69	5.24	7.51	Tangible Book Value per Share	--	-3.71	23.62	1,282.4	1,325.9
						Return on Common Equity	--	20.67	34.69	5.24	7.51	Cash Flow per Share	2.39	0.87	12.28	--	299.6
						Return on Total Capital	122.64	10.09	21.99	4.73	5.80	Free Cash Flow per Share	2.14	0.54	9.94	--	136.7
						Return on Invested Capital	127.06	11.20	23.34	4.74	6.53	Diluted Shares Outstanding	1,721.00	11.00	5.33	--	0.4
						Cash Flow Return on Invested Capital	198.55	22.82	33.77	15.73	18.24	Basic Shares Outstanding	1,704.00	11.00	5.30	--	0.4
												Total Shares Outstanding	--	11.11	5.26	1.1	0.4

# Appendix - Ratios



	Liquidity					Coverage					
	HP Inc.	Lenovo	Apple	Canon	Epson	HP Inc.	Lenovo	Apple	Canon	Epson	
Current Ratio	0.96	0.78	1.23	2.14	1.73	Net Debt/EBITDA	0.12	0.24	0.39	-0.04	-0.63
Quick Ratio	0.71	0.63	1.20	1.57	1.13	Net Debt/(EBITDA-Capex)	0.14	0.45	0.48	-0.07	-1.51
Cash Ratio	0.34	0.14	0.72	0.64	0.59	Total Debt/EBITDA	1.80	2.23	1.26	1.28	1.28
Cash & ST Inv/Current Assets (%)	35.62	18.30	58.50	30.17	33.86	EBIT/Interest Expense (Int. Coverage)	12.29	3.11	34.47	215.71	-116.85
CFO/Current Liabilities (%)	22.09	6.25	77.76	50.87	29.55	EBITDA/Interest Expense	13.49	6.57	40.65	451.43	--
						Fixed-charge Coverage Ratio	12.29	2.99	34.47	215.71	--
						CFO/Interest Expense	14.66	5.74	38.37	471.52	--
						Cash Dividend Coverage Ratio	3.68	1.97	5.25	2.59	4.97
						LT Debt/EBITDA	1.77	1.74	1.06	1.28	0.64
						Net Debt/FFO	0.14	0.47	0.42	-0.05	-0.65
						LT Debt/FFO	2.10	3.32	1.14	1.44	0.66
						CFO/Total Debt	0.60	0.39	0.75	0.82	0.75



# Appendix - Valuation (Base)

## IV

	Base Case					
	2016	2017	2018	2019	2020	2021
Sales	48212	47666.535	47541.97001	47759.70459	48313.96812	49038.67764
Sales in Personal Systems (Assumed to be 60% of total)	29987	30136.935	30362.96201	30666.59163	31049.92403	31515.67289
Sales in Printing (Assumed to be 40% of total)	18260	17529.6	17179.008	17093.11296	17264.04409	17523.00475
Cost of Goods Sold (COGS) excl. D&A	38834	38343.93969	38181.11144	38268.67294	38501.73147	38484.49452
Depreciation and Amortization	332	385.12	446.7392	536.08704	632.5827072	746.4475945
Cost of Goods Sold (COGS) incl. D&A	39166	38729.05969	38627.85064	38804.75998	39134.31418	39230.94211
Gross Income	9046	8937.475313	8914.119377	8954.944611	9179.653942	9807.735528
SG&A Expense	5565	5481.651525	5229.616701	5253.567505	5314.536493	5394.25454
EBIT (Operating Income)	3481	3455.823788	3684.502676	3701.377106	3865.117449	4413.480988
Interest Expense	273	275	275	280	285	290
Nonoperating Income - Net	553	577	577	577	577	577
Pretax Income	3761	3757.823788	3986.502676	3998.377106	4157.117449	4700.480988
Income Taxes	1095	826.7212333	877.0305887	879.6429633	914.5658389	1034.105817
Net Income	2666	2931.102554	3109.472087	3118.734143	3242.551611	3666.37517
Discontinued Operations	-170	-170	-170	-170	-170	-170
Net Income available to Common	2496	2761.102554	2939.472087	2948.734143	3072.551611	3496.37517
EPS (diluted)	1.42	1.577772888	1.679698336	1.684990939	1.755743777	1.997928669
Dividends per Share	0.496	0.56799824	0.638285368	0.640296557	0.702297511	0.899067901
	2016	2017	2018	2019	2020	2021
Net Income	2496	2761.102554	2939.472087	2948.734143	3072.551611	3496.37517
Deferred Taxes & Investment Tax Credit	401	401	401	401	401	401
Other Funds	338	336.4	337.984	339.58384	342.0075976	344.4677116
Depreciation and Amortization	332	385.12	446.7392	536.08704	632.5827072	746.4475945
Post-tax interest	193.557	214.5	214.5	218.4	222.3	226.2
(FCInv)	-337	-973.44	-1129.1904	-1637.32608	-1768.31217	-2086.60836
(WCInv)	-100	-352.806	-514.069828	21.8809443	-11.6089266	13.07309199
FCFF	3323.557	2771.876554	2696.435059	2828.359887	2890.520822	3140.955212

# Appendix - Valuation (Bull)

V

	Bull Case					
	2016	2017	2018	2019	2020	2021
Sales	48212	50049.86175	49919.06851	50147.68982	50729.66652	51490.61152
Sales in Personal Systems (Assumed to be 60% of total)	29987	31643.78175	31881.11011	32199.92121	32602.42023	33091.45653
Sales in Printing (Assumed to be 40% of total)	18260	18406.08	18037.9584	17947.76861	18127.24629	18399.15499
Cost of Goods Sold (COGS) excl. D&A	38834	40280.39267	40112.50397	40208.91094	40458.44718	40446.04162
Depreciation and Amortization	332	385.12	446.7392	536.08704	632.5827072	746.4475945
Cost of Goods Sold (COGS) incl. D&A	39166	40665.51267	40559.24317	40744.99798	41091.02988	41192.48922
Gross Income	9046	9384.349078	9359.825346	9402.691842	9638.636639	10298.1223
SG&A Expense	5565	5755.734101	5491.097536	5516.24588	5580.263318	5663.967267
EBIT (Operating Income)	3481	3628.614977	3868.72781	3886.445961	4058.373322	4634.155037
Interest Expense	273	275	275	280	285	290
Nonoperating Income - Net	553	577	577	577	577	577
Pretax Income	3761	3930.614977	4170.72781	4183.445961	4350.373322	4921.155037
Income Taxes	1095	864.7352949	917.5601181	920.3581115	957.0821308	1082.654108
Net Income	2666	3065.879682	3253.167692	3263.08785	3393.291191	3838.500929
Discontinued Operations	-170	-170	-170	-170	-170	-170
Net Income available to Common	2496	2895.879682	3083.167692	3093.08785	3223.291191	3668.500929
EPS (diluted)	1.42	1.65478839	1.761810109	1.767478771	1.841880681	2.096286245
Dividends per Share	0.496	0.59572382	0.669487842	0.671641933	0.736752272	0.94332881
	2016	2017	2018	2019	2020	2021
Net Income	2496	2895.879682	3083.167692	3093.08785	3223.291191	3668.500929
Deferred Taxes & Investment Tax Credit	401	401	401	401	401	401
Other Funds	338	336.4	337.984	339.58384	342.0075976	344.4677116
Depreciation and Amortization	332	385.12	446.7392	536.08704	632.5827072	746.4475945
Post-tax interest	193.557	214.5	214.5	218.4	222.3	226.2
(FCInv)	-337	-973.44	-1129.1904	-1637.32608	-1768.31217	-2086.60836
(WCInv)	-100	-352.806	-514.069828	21.8809443	-11.6089266	13.07309199
FCFF	3323.557	2906.653682	2840.130664	2972.713594	3041.260403	3313.08097

# Appendix - Valuation (Bear)

VI

	Bear Case					
	2016	2017	2018	2019	2020	2021
Sales	48212	45283.20825	45164.87151	45371.71936	45898.26971	46586.74376
Sales in Personal Systems (Assumed to be 60% of total)	29987	28630.08825	28844.81391	29133.26205	29497.42783	29939.88924
Sales in Printing (Assumed to be 40% of total)	18260	16653.12	16320.0576	16238.45731	16400.84189	16646.85451
Cost of Goods Sold (COGS) excl. D&A	38834	36407.4867	36249.7189	36328.43494	36545.01576	36522.94741
Depreciation and Amortization	332	385.12	446.7392	536.08704	632.5827072	746.4475945
Cost of Goods Sold (COGS) incl. D&A	39166	36792.6067	36696.4581	36864.52198	37177.59847	37269.39501
Gross Income	9046	8490.601547	8468.413408	8507.197381	8720.671245	9317.348751
SG&A Expense	5565	5207.568949	4968.135866	4990.88913	5048.809668	5124.541813
EBIT (Operating Income)	3481	3283.032598	3500.277542	3516.308251	3671.861577	4192.806938
Interest Expense	273	275	275	280	285	290
Nonoperating Income - Net	553	577	577	577	577	577
Pretax Income	3761	3585.032598	3802.277542	3813.308251	3963.861577	4479.806938
Income Taxes	1095	788.7071716	836.5010593	838.9278151	872.0495469	985.5575264
Net Income	2666	2796.325427	2965.776483	2974.380435	3091.81203	3494.249412
Discontinued Operations	-170	-170	-170	-170	-170	-170
Net Income available to Common	2496	2626.325427	2795.776483	2804.380435	2921.81203	3324.249412
EPS (diluted)	1.42	1.500757387	1.597586562	1.602503106	1.669606874	1.899571092
Dividends per Share	0.496	0.540272659	0.607082893	0.60895118	0.66784275	0.854806992
	2016	2017	2018	2019	2020	2021
Net Income	2496	2626.325427	2795.776483	2804.380435	2921.81203	3324.249412
Deferred Taxes & Investment Tax Credit	401	401	401	401	401	401
Other Funds	338	336.4	337.984	339.58384	342.0075976	344.4677116
Depreciation and Amortization	332	385.12	446.7392	536.08704	632.5827072	746.4475945
Post-tax interest	193.557	214.5	214.5	218.4	222.3	226.2
(FCInv)	-337	-973.44	-1129.1904	-1637.32608	-1768.31217	-2086.60836
(WCInv)	-100	-352.806	-514.069828	21.8809443	-11.6089266	13.07309199
FCFF	3323.557	2637.099427	2552.739455	2684.00618	2739.781242	2968.829455



# Appendix – Projected Statements

# VI

<u>Assets</u>	2015	2016	2017	2018	2019	2020	2021	<u>Profitability</u>							
Cash & Cash Equivalents	7584.00	6288.00	6225.12	6162.87	6101.24	6131.75	6193.06	Operating Profit Margin	7.22%	7.08%	7.40%	7.40%	7.63%	8.58%	
Accounts Receivables	4825.00	4114.00	4072.86	4113.59	4154.72	4217.05	4280.30	Net Profit Margin	5.18%	5.63%	6.02%	6.01%	6.36%	7.13%	
Inventories	4288.00	4484.00	4439.16	4483.55	4528.39	4596.31	4665.26	Return on Assets	3.92%	9.86%	10.42%	10.31%	10.76%	11.82%	
Other Current Assets	4498.00	3582.00	3546.18	3581.64	3617.46	3671.72	3726.80	Return on Equity	22.33%	-80.02%	-106.34%	-137.97%	-185.13%	-407.80%	
Current assets of discontinued operations	30592.00	-	-	-	-	-	-	Return on Total Capital	12.61%	81.41%	70.00%	60.64%	58.90%	60.39%	
Total Current Assets	51787.00	18468.00	18283.32	18341.65	18401.81	18616.82	18865.42	Gross Profit Margin	19%	19%	19%	19%	19%	20%	
Gross Property, Plant & Equipment		6084.00	7057.44	8186.63	9823.96	11592.27	13678.88	<u>Liquidity</u>							
(Accumulated Depreciation)		-4348.00	-5043.68	-5850.67	-7020.80	-8284.55	-9775.77	Current Ratio	0.982	1.001	1.030	1.028	1.029	1.027	
Net Property, Plant and Equipment	1492.00	1736.00	2013.76	2335.96	2803.15	3307.72	3903.11	Cash Ratio	0.334	0.341	0.346	0.341	0.339	0.337	
Goodwill	5680.00	5622.00	5565.78	5510.12	5510.12	5565.22	5620.88	Quick Ratio	0.744	0.758	0.778	0.775	0.775	0.773	
Other non-current assets	1592.00	3184.00	3082.11	3014.31	3030.88	3061.19	3107.11	<u>Activity</u>							
Non-current assets of discontinued operations	46331.00	-	-	-	-	-	-	Accounts Receivable Turnover	10.787	11.645	11.615	11.552	11.542	11.542	
Total Assets	106882.00	29010.00	28944.97	29202.04	29745.97	30550.96	31496.52	Total Asset Turnover	0.710	1.645	1.635	1.620	1.603	1.581	
<u>Liabilities &amp; Shareholders' Equity</u>								Inventory Turnover	8.930	8.681	8.658	8.612	8.578	8.472	
Current Liabilities:								Fixed Asset Turnover	29.871	25.424	21.860	18.587	15.812	13.601	
Notes Payable and short-term borrowings	2194.00	78	75.504	73.842912	74.24904802	74.9915385	76.11641157	Accounts Payable Turnover Ratio	3.678	3.545	3.634	3.682	3.684	3.648	
Accounts Payable	10194.00	11,103	10747.7	10511.25451	10569.06641	10674.75708	10834.87843	<u>Financial Leverage</u>							
Employee Compensation and benefits	747.00	759	794	720	707	750	774	Long-term Debt to Assets	0.233	0.236	0.236	0.229	0.228	0.199	
Taxes on Earnings	243.00	231	228.69	226.4031	228.667131	232.097138	232.097138	Equity Multiplier	5.691	-8.119	-10.204	-13.383	-17.213	-34.507	
Deferred Revenue	1051.00	919	889.592	870.021	874.806	881.805	892.386	Interest Coverage	12.751	12.273	12.794	12.624	12.931	14.510	
Other Accrued Liabilities	6241.00	5,718	5535.024	5413.253	5443.026	5486.571	5552.409	Long-term Debt/EBITDA	1.772	1.815	1.739	1.677	1.612	1.265	
Current Liabilities of discontinued operations	21521.00	-	-	-	-	-	-	<u>Per Share</u>							
Total Current Liabilities	42191.00	18,808	18270.5	17814.77497	17896.81505	18100.22087	18361.8876	Dividend Per Share	0.496	0.567	0.632	0.634	0.682	0.822	
Long-Term Debt	6677.00	6,758	6825.58	6893.8358	6824.897442	6961.395391	6265.255852	EPS	1.420	1.511	1.579	1.584	1.704	1.933	
Other non-current liabilities	7414.00	7,333	7098.34	6942.180432	6980.362424	7036.205324	7120.639788								
Non-current Liabilities of discontinued operations	22449.00	-	-	-	-	-	-								
Non-controlling interest of discontinued operations	383.00														
Total Equity	27768.00	-3,889	-3249.47	-2448.75	-1956.10	-1546.86	-251.27								
Total Liabilities & Shareholders' Equity	106882.00	29,010	28944.97	29202.04	29745.97	30550.96	31496.52								

# Appendix – Assumptions, Analysis

## VII

<u>Assumptions regarding growth rates</u>	2017	2018	2019	2020	2021	Operating Cycle (Days)	2016	2017	2018	2019	2020	2021
Goodwill	-0.01	-0.01	0	0.01	0.01	Days Inventory on Hand	40.87448	42.04793	42.15598	42.38343	42.55237	43.08427
Property, Plant and Equipment	0.16	0.16	0.2	0.18	0.18	+ Days Sale Outstanding	33.83737	31.34488	31.42543	31.59498	31.62332	31.62332
Cash and Cash Equivalents	-0.01	-0.01	-0.01	0.005	0.01	= Operating Cycle	74.71186	73.39281	73.58141	73.97841	74.17569	74.70759
Accounts Receivables	-0.010	0.010	0.010	0.015	0.015	- Days of Payables Outstanding	99.23665	102.9654	100.4394	99.14141	99.06901	100.0615
Inventories	-0.010	0.010	0.010	0.015	0.015	=Net Operating Cycle/Cash Conversion Cycle in Days	-24.5248	-29.5726	-26.858	-25.163	-24.8933	-25.3539
Other Current Assets	-0.010	0.010	0.010	0.015	0.015	DuPont Analysis	2016	2016	2016	2016	2016	2016
Other Non-Current Assets	-0.032	-0.022	0.006	0.010	0.015	Asset Turnover	0.709563	1.644951	1.635233	1.620401	1.602535	1.580682
Notes Payable	-0.032	-0.022	0.006	0.010	0.015	x Pretax Profit Margin	0.07801	0.078836	0.083852	0.083719	0.086044	0.095853
Accounts Payable	-0.032	-0.022	0.006	0.010	0.015	= Pretax Return on Assets	0.055353	0.129681	0.137118	0.135658	0.137888	0.151512
Employee Compensation		Taken from 10K Estimates				x Tax Rate Complement (1 - Tax)	0.708854	0.76	0.76	0.76	0.78	0.78
Taxes	-0.020	-0.010	-0.010	0.010	0.015	= Return on Assets	0.039237	0.098557	0.10421	0.1031	0.107553	0.11818
Deferred Revenue	-0.032	-0.022	0.006	0.008	0.012	x Equity Multiplier	5.690858	5.690858	5.690858	5.690858	5.690858	5.690858
Other Accrued Liabilities	-0.032	-0.022	0.006	0.008	0.012	= Return on Equity	0.223292	0.560876	0.593043	0.586727	0.612068	0.672544
Long Term Debt	0.010	0.010	-0.010	0.020	-0.100							
Other non-current liabilities	-0.032	-0.022	0.006	0.008	0.012							

# Appendix – Assumptions, Analysis

## VIII

WACC		Year	Operating Profit Margin	Net Profit Margin
Weight of Equity	0.8	2016	0.072202	0.051771
Weight of Debt	0.2	2017	0.0725	0.056808
Cost of Debt	0.043	2018	0.0775	0.060872
Beta	1.434685	2019	0.0775	0.060779
Rm	0.08156	2020	0.08	0.064739
Rf	0.025	2021	0.09	0.072421
Cost of Equity	0.106146			
Tax Rate	0.22			
WACC	0.091625			